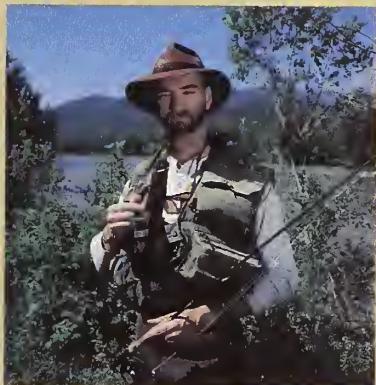


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MicroBusiness Development Corporations

BIENNIAL REPORT 1995 - 1996



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OFFICE OF THE GOVERNOR

STATE OF MONTANA

MARC RACICOT
GOVERNOR



January, 1997

To the 55th Montana Legislature:

Among the various public/private sector partnerships instituted in Montana, few are as unique as the Montana Microbusiness Finance Program. This finance program provides capital for business start-ups and expansions, and focuses on the creation of new jobs and opportunities for both economic and community development.

Implemented following the 52nd Legislature in 1991, the finance program received an appropriation from the permanent Coal Severance Tax Trust Fund. The fact that such an investment requires approval of three-quarters or more of the members of both houses of the Legislature demonstrates that a vast majority of Montanans recognize that although small business enterprises involve a level of risk, they likewise offer tremendous opportunities for community and economic development for both present *and* future generations.

The Legislature's confidence in MBFP and microbusinesses in Montana is evident not only in the initial 1991 appropriation of \$3.25 million from the Coal Tax Trust, but also in the fact that a second investment of the same amount was made in 1995. These funds, combined with matching dollars from the communities, local commercial lenders in which the eleven community loan funds have been established, as well as foundations and corporations, are currently finding their way into small businesses in all corners of the state.

In this regard, I am pleased that the Montana Legislature has acted--on two critical occasions--so strongly in support of small business. Businesses with less than \$500,000 annual revenue and fewer than ten employees are a dynamic sector of our economy and one in which moderate amounts of credit from the public sector can positively impact our state as a whole. It is typical of our great state that the local organizations providing business assistance and credit have worked in partnership so well with the Department of Commerce to ensure the program's success in fostering local economic growth and job creation.

Sincerely,

A handwritten signature of Marc Racicot in black ink.

MARC RACICOT
Governor



MONTANA DEPARTMENT OF COMMERCE

Director's Office
1424 9th Avenue PO Box 200501
Helena, MT 59620-0501

Phone: (406) 444-3494
FAX: (406) 444-2903
TDD: (406) 444-2978

January, 1997

To the 55th Montana Legislature:

In 1995, the Montana Department of Commerce presented a third party evaluation to the 54th Legislature which addressed the progress, goals, and a series of recommendations for loan fund modifications and improvements to the Microbusiness Finance Program. At that time, the program was new, with four MicroBusiness Development Corporations lending for twenty-seven months, two MBDCs lending for twenty-four months, two MBDCs lending for twelve months and four MBDCs lending for less than nine months. Obviously, concrete data on which to determine performance and base strategic planning for the future of the program was limited in early 1995—half of the state's MBDCs had been in existence for a year or less.

Today, the youngest MBDC is almost three years old, and the program and MBDCs across the state now have some experience under their belts, as well as the ability to draw conclusions regarding the future. I am happy to say that the future appears very encouraging, that the success of this effort translates directly into greater promise for the future of small business in Montana. This promise in turn means new jobs and new opportunities in our state's evolving economy.

Like any new program, public or private, that provides capital to existing small businesses or to new start-ups, there are risks involved. However, the performance of MBDCs over the past two years has demonstrated that partnerships between public entities and microbusinesses are not only workable, but also have excellent potential for economic and community development.

The credibility and capacity of the Montana Microbusiness Finance Program is expanding, and with that, I am pleased to present this report of progress.

Sincerely,



Peter S. Blouke, Ph.D.
Director

Council Members (1996):

David Bond, Whitefish, Business Owner
Mary Brydich, Helena, Large cities
Mark Dahl, Butte, Banker
Concetta Eckel, Helena, Business Owner
Candace Eide, Glendive, Low Income Population
Jim Hollenback, Superior, Business Owner
Richard King, Havre, Loan Fund Administrator
Duane Kurokawa, Wolf Point, Banker
Billie Lee, Ronan, Small cities
Stephen Mehring, Loan Fund Rep.
Dale Renee Pierre, Pablo, Minorities
Steven Ohs, Glendive, Small cities
Gerald Sherman, Billings, Banker



Past Members:

Doug Boutilier, Helena, Banker
Janene R. Brown, Libby, Economic Development Entity Rep.
Robyn Morrison Hampton, Helena, Loan Fund Administrator
Robert Storey, Missoula, Business Owner
Peter Greybull II, Crow Agency, Native Americans Rep
Jody Smith, Miles City, Business Owner
Craig Smith, Wolf Point, Economic Development Entity Rep.
Dolph Harris, Sidney, Business Owner
Kim Peterson, Havre, Low Income Rep.
Jeanne Moeller, Billings, Chamber of Commerce
Don Ingolls, Miles City, Chamber of Commerce
Richard Greenshields, Browning, Business Owner
Judith Johnston, Helena, Business Owner
Jamie Kay, Missoula, Business Owner
Anita Dupuis, Pablo, Native American Rep.
Rick Sharp, Havre, Low Income Rep.
Harold Frazier, Missoula, Banker
Barbara Burke, Missoula, Low Income Rep.
Lynn Robson, Bozeman, Loan Fund Administrator

Legislative Panel:

1991

Senator Greg Jergeson
Senator Jerry Noble
Representative Steve Benedict
Representative Don Larson

1993

Senator Ken Mesaros
Senator Mignon Waterman
Representative Norm Mills
Representative Bob Bachini

1995

Senator Ric Holden
Sentator Bill Wilson
Representative Bill Carey
Representative John Bohlinger

JTPA Ad Hoc Council:

Connie Kinsey, DOL/JTPA
Russ Filner, MJTPA, Inc.
Pat Wise, AFL/CIO
Patty Russ, DPHHS
Mark Bowlds, DOL/Job Service

REPORT OF THE MICROBUSINESS ADVISORY COUNCIL AND LEGISLATIVE PANEL

January, 1997
To the 55th Montana Legislature

The Microbusiness Advisory Council is pleased to join with Governor Racicot, the Department of Commerce, the Microbusiness Development Corporations and microbusiness entrepreneurs in presenting its second biennial report to the 55th Montana Legislature. Like any report detailing the activities of a successful program, this report is part education, part invitation, and part celebration—a celebration of history and accomplishment, of partnership and commitment.

The pages of this report document the work and achievements of the eleven regional Microbusiness Development Corporations (MBDCs) over the past biennium. Since 1995, the MBDCs have expanded their lending capacity, created and retained jobs in their communities, developed new relationships with investors and business trainers and increased their credibility as community lenders. Their stories are ones of asset and lending growth, organizational development, and diversification of portfolios and loan funds. By any measure, the record of the MBDCs over the past two years has been a remarkable success; today, the MBDCs provide more investment capital per quarter than in the entire first year of operation.

The Montana Legislature's decision in 1995 to invest a second appropriation of \$3.25 million in the Microbusiness Finance Program was critical in terms of making available sufficient capital to ensure permanent credit programs.

MICROBUSINESS FINANCE PROGRAM: BACKGROUND AND MILESTONES

1991

* The Microbusiness Finance Program (MBFP) was created in 1991 with the investment of \$3.25 million from the Coal Severance Tax Trust Fund.

1992

* US West Foundation REVIVE grant of \$390,000 awarded to the Department of Commerce to fund twelve MBDC loan funds for operations and technical assistance budgets.

* Under MBFP, four Microbusiness Development Corporations (MBDCs) are certified and funded:

- Northwest Montana Human Resources, Inc. (Kalispell; Region I)
- Montana Western Region Economic Development Group, Inc. (Missoula; Region II)
- Human Resource Development Council of District IX, Inc. (Bozeman; Region VI)
- Bear Paw Development Corporation of Northern Montana, Inc. (Havre; Region VII)

1993

* Seven additional regional MBDCs and one statewide MBDC are certified and funded:

- Headwaters RC&D Area, Inc. (Butte; Region III)
- Opportunities, Inc. (Great Falls; Region IV)
- Montana Women's Capital Fund, Inc. (Helena; Region V)

- District VI, Human Resource Development Council, Inc. (Lewistown; Region VIII)
- District VII, Human Resource Development Council, Inc. (Billings; Region IX)
- Action for Eastern Montana (Enterprise Opportunities, Inc.) (Glendive; Region XI and Region XII)
- Phillco Economic Development Corporation (Missouri Valley Development Corporation, Inc.) (Malta [Wolf Point]; Region X)

* The 53rd Legislature modifies the original MBFP bill:

- Removing the minimum interest rate on development loans;
- Allowing additional funds to be advanced to MBDCs without a waiting period;
- Eliminating the requirement for audits by the Legislative Auditor; and
- Reducing the community one-to-three match for development funds to a one-to-six match.

1994

* The Department of Commerce receives \$300,000 in U.S. Department of Labor Job Training and Partnership Funds to provide training for MBDC staffs and microbusiness borrowers, and to provide technical assistance and management grants to MBDCs.

continued on page vi

With these expanding resources, we have demonstrated the ability to manage challenges in an *emerging lending technology*. The void *where start-up lending begins* is gradually being eliminated due to new techniques and strategies developed by Montana's regional lenders in both the public and private sectors, working together. In essence, this cooperation is building strong, new institutions which is overcoming the "disconnect" that hindered measured, steady growth before.

The Microbusiness Finance Program invites a wide range of interests to share in its decision making processes. In addition to demanding high levels of business values, it integrates similarly high levels of social and civic involvement and capacity. New methods of leveraging financial and technical resources have brought competing interests together in shared locations and merging organizations.

This kind of success drives to the very heart of what the MBDC program is all about—**economic and community development**. In that regard, this report speaks volumes: new manufacturing, new retail and service business in 36 of Montana's counties, \$450,000 in new loans in a single quarter, 20 percent of loans paid off, reduced dependence on public assistance, and employment for the newest generations of Montanans. The success stories are rural and urban, and they impact all of our communities, large and small. The program lending record for the past two years has been impressive. More than 180 loans totaling over \$2,486,379 million have been committed—more than \$1,111,358 million (65 loans) have been made in the last three quarters. Loan proceeds have created and retained more than 729 jobs since the inception of the program.

In addition to the taxes and fees paid, the 370 loans represent forty-six borrowers from ten of the eleven

MBDCs who either at the time or after their loan needed public assistance. Thirty-eight of those borrowers have completely achieved self-sufficiency and do not require assistance; just eight borrowers currently need public assistance. A large portion of this success is attributed to the \$625,000 awarded to the program through the U.S. Department of Labor JTPA funds. Twenty-two loans supported by JTPA technical assistance grants to MBDCs have resulted in 119.5 JTPA FTEs between January 1995 and September 1996.

As with any loan program, our borrowers remain the real key to success. Their needs demand that we reach out to learn more about new issues, markets and opportunities that may affect them. Nonetheless, to continue on the successful path, the Microbusiness Finance Program must pay attention not only to external opportunities, but also to the internal requirements of quality financial and personnel management. Program expansion and development will continue to rely on the provision of the best available technical business assistance, just as it relies on the provision of capital.

The program itself has now achieved a maturity that permits its accomplishments to speak for themselves. Rather than rely on experience gained from similar programs in other states or by testing various hypothetical situations, we can now look at the specific achievements of specific MBDCs to measure success. That's exactly what this report does. Presented on the following pages is a compilation of facts and data relating to each MBDC as well as success stories from individual businesses served by the MBDCs.

We wish to thank all of the individuals working in MBDCs serving as staff, Boards of Directors and Loan Review Boards in the various regions whose efforts have made this program a success.

* US West REVIVE grant of \$25,000 provided to the Department of Commerce to produce a third party evaluation as the first biennial report to the Legislature.

1995

- * The 54th Legislature invests an additional \$3.25 million in Coal Tax Trust Fund dollars in MBFP.
- * Fourteen JPTA Business Plan Trainings offered.
- * U.S. Department of Labor provides \$25,000 as an additional award to the Department of Commerce for excellent performance in MBFP management. The funds are subsequently granted to MBDCs in recognition of their outstanding performance.
- * NDC Training is offered to all community lenders – four week certification.

1996

- * Twelve JPTA Business Plan Trainings offered.
- * U.S. Department of Labor awards the Department of Commerce a second grant of \$300,000 Job Training and Partnership Funds to provide training grants to MBDCs.
- * CFED Portfolio Training offered to all community lenders.
- * Electronic portfolio management system established.
- * BSI electronic loan documentation system provided to MBDCs.

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REGION I

KALISPELL

REGION I

Microbusiness Entrepreneur

Microbusiness:
Laughing Grains, Inc.
Whitefish, Montana

Owners:
Linda and Pete Costain

During his years as one of the top mountain bikers in the United States, Pete Costain built a reputation for more than just speed and endurance. In seeking out high carbohydrate foods to provide the energy necessary for competitive cycling, he developed a pancake mix—Pete's Pancakes—which he and his wife, Linda, began manufacturing and marketing in northwestern Montana in 1994.

"Production of Pete's Pancakes is a labor intensive process, especially as it relates to packaging," said Linda Costain. "Although demand for the



MBDC:

Northwest Microbusiness Finance Program
Northwest Montana Human Resources, Inc.
Kalispell, Montana

Counties Served:

Flathead, Lake, Lincoln and Sanders
Population: 122,758

Staff:

Nancy Bond has served as Program Manager for the Region I MBDC since 1993. A fourth generation Montanan, Nancy holds a Bachelor of Sciences in Education from Montana State University, as well as a Certification from the Institute for Organizational Management at the University of Colorado/Boulder, and is completing her NDC Economic Development Finance certification. She has worked hard to develop the capacity of the Northwest fund, its regional partners, and the MBDC's technical assistance program.

Technical Assistance Coordinator Eric Hanson has been with the MBDC for one year. A Kalispell native, Eric is a Marketing graduate of the University of Montana, who is completing training in Economic Development Finance from the National Development Council.

Mission:

To provide opportunities for self-sufficiency through the development of self-employment opportunities and general business development.

Organization:

The Northwest Microbusiness Finance Program places a strong emphasis on technical assistance services, which it provides to borrowers in both classroom settings and on a one-to-one basis. Borrower acceptance and utilization of technical assistance as required under loan agreements, and great technical service staff work closely with clients over the long term to ensure optimal business performance. The program delivered loans and technical assistance through the "Business Center" which is a collocation collaboration with the SBDC and Flathead Valley Community College.

While the focus of the MBDC is to provide capital to businesses, it is not the only entity in the region making start-up loans. Other organizations—including the Lincoln County Loan Fund—also make loan funds available to businesses, and a major focus of the Northwest Microbusiness Finance Program, which is part of a Community Action Agency, is on establishing and maintaining collaborative relationships with other economic development entities and institutions in order to maximize capital availability to businesses in the region.

According to Program Manager Nancy Bond, "Our goal is to make sound investments and follow them up with helpful assistance. If other loan programs can play a role in ensuring client success, we're anxious to work with them."

TOTAL LOANS MADE:	\$1,200,020—39
BIENNIAL LOANS MADE:	\$432,799—23
TOTAL WRITE-OFFS:	\$45,246—4
RECOVERY:	\$7,404—4—4%

product was high, it was only a short period of time before Laughing Grains was unable to accept more orders because we simply didn't have the packaging capacity to fill them. That's when we heard about microbusiness loans."

Working with Nancy Bond, the Costain's secured the financing they needed through the Northwest Microbusiness Finance Program to upgrade Laughing Grains' packaging equipment. Increased production capabilities have enabled the Costains to meet all of the production and marketing goals outlined in the business plan they submitted in conjunction with their loan application, as well as pursue new accounts in lucrative markets like California.

"Because there was little equity in our business, we were unable to obtain traditional financing," explained Linda. "The microbusiness program moved Laughing Grains to an entirely new level of operations."

REGION I: Kalispell	6/92 - 12/96
Loan Fund: \$524,006	Loans Outstanding: \$411,185
FTE Created /Retained: 73	JTPA FTE: 24.5
Public Assistance Reduction: 9	

REGION II

MISSOULA

REGION II

Microbusiness Entrepreneur

Microbusiness:

Locos Burrito Bus
Missoula, Montana

Owners:

Jennifer Snorsky and
Julie Kuchenmeister

Jennifer Snorsky and Julie Kuchenmeister appreciate the unique character that food vendors bring to the streets of a community, and based on their research of the food vending industry in Portland and Seattle, determined that this trend would appeal to Missoulians. But as first-time businesspersons, Jennifer and Julie lacked the credit history necessary to attract traditional financing. A banker recommended WEDGo and the MBDC program.

MBDC:

Montana Western Region Economic Development Group (WEDGo)
Missoula, Montana

Counties Served:

Mineral, Missoula, and Ravalli
Population: 122,986

Staff:

With more than 15 years experience in financial management and commercial lending, as well as a Bachelor of Arts in Accounting and an MBA Finance degree, Region II Credit Officer Catherine Brown brings an array of education and experience to entrepreneurs in the three-country region of western Montana served by WEDGo. She has served in the credit officer position for the past two years.

Mission:

To improve the economy of western Montana through capital and technical assistance to businesses, in order to sustain communities and create opportunities for women and low income residents.

Organization:

WEDGo is an economic development organization specializing in business lending and training. Founded in 1992, it is the host organization for an SBDC, in addition to providing both business assistance and financing through the MBDC and the SBA.

WEDGo is certified as a Community Development Financial Institution by the U.S. Treasury, and is a member of the National Association of Community Development Loan Funds.

Since it was founded in 1992, the MBDC has been extremely active in promoting its services within the region. Besides current outstanding commitments and applications in the process of being funded, the MBDC has closed a total of 55 loans.

According to Catherine Brown, "This is a region of Montana where microbusiness appeals to many people, and we're able to serve them with a number of helpful programs through WEDGo."

TOTAL LOANS MADE:	\$401,791—50
BIENNIAL LOANS MADE:	\$207,485—18
TOTAL WRITE-OFFS:	\$51,150—9
RECOVERY:	\$12,951—10%

At WEDGo, they found a lot more than just the financing they needed to get started. "They guided us through the business planning/cashflow projection process and made us look hard before diving in," explained Julie.

Along with the technical assistance, Julie and Jennifer received the financing to fund their start-up—Locos Burritos Bus, a food vending business that sells four choices of giant burritos at various locations in downtown Missoula. The ingredients—including homemade salsa and fresh cooked beans—are prepared in a commercial kitchen and then assembled and served from a vintage half-size school bus.

After two full months of operations, Julie and Jennifer are encouraged: "We're working hard, having some fun, and paying the bills," Julie said.

REGION II: Missoula
Loan Fund: \$288,855
FTE Created/Retained: 92.75
Public Assistance Reduction: 0

6/92 - 12/96
Loans Outstanding: \$169,061
JTPA FTE: 17

REGION III

BU T T E

REGION III Microbusiness Entrepreneur

Microbusiness:

Blue Venus Coffee Shop
Butte, Montana

Owner2:

Leslie Lohbeck and Jason Lohbeck

Leslie Lohbeck's dream of opening a gourmet coffee shop and delicatessen in Butte's historic district was partially realized in the early 1990's when she and her husband purchased a building in need of restoration. Funds for renovation and actual start-up costs were not available to the Lohbecks from traditional lending institutions however, so their banker suggested they try the MBDC program.

Following submission of a business plan and successful loan application, Leslie's dream became a reality in

MBDC:

Headwaters Resource, Conservation & Development Area, Inc.
Butte, Montana

Counties Served:

Beaverhead, Deer Lodge, Granite, Madison, Powell, and Silver Bow
Population: 70,092

Staff:

Credit Officer Patrick McDermott brings considerable experience to the microbusiness program located in the Headwaters RC&D. McDermott is a retired banker with 34 years experience in lending and financial management. He has served as the Region III MBDC credit officer for the past three and half years.

Mission:

To improve the economic and social well-being of the region through conservation, development and proper use of natural and human resources.

Organization:

In addition to the microbusiness program, the Headwaters RC&D offers a wide variety of programs to encourage business and community development across southwestern Montana. Businesses utilizing services of the RC&D benefit from the resources of three individual loan funds, business planning

services available from the business specialist in the Rural Economic Development Incubator, and technical business assistance provided by an SBDC.

Bolstered by the combined services offered by Headwaters RC&D, the microbusiness program has provided financing and technical assistance to numerous types of businesses in the region, and has experienced promising results in terms of loan payback. Several businesses which have utilized the services of the MBDC are currently beginning their second rounds of microbusiness financing.

TOTAL LOANS MADE:	\$336,790—21
BIENNIAL LOANS MADE:	\$186,366—11
TOTAL WRITE-OFFS:	\$2,867—1—1%

April 1994 when the Blue Venus Coffee Shop started operations. Business has been brisk from the beginning and over the past 18 months, the workforce at the Blue Venus has expanded from just Leslie, Jason and one part-time employee, to five part-time workers.

Leslie credits the microbusiness program for providing a lot more than investment capital. "Each time we prepare our quarterly financials, we go over them with Pat McDermott from the RC&D," Leslie explained. "Pat keeps an eye out for the red flags that we might otherwise miss, and advises us how to keep the business on track."

Besides good coffee and lunches, the Blue Venus provides a location for local artists to exhibit their works, and Leslie takes great pride in creating a business that brings so many Butte residents together.

REGION III: Butte	6/93 - 12/96
Loan Fund: \$381,764	Loans Outstanding: \$244,099
FTE Created/Retained: 49.50	JTPA FTE: 9.5
Public Assistance Reduction: 2	

REGION IV

GREAT FALLS

REGION IV Microbusiness Entrepreneur

Microbusiness:

Preferred Manufacturing
Great Falls, Montana

Owners:

Lacetta and Craig Isenberg

Preferred Manufacturing developed as a result of Lacetta and Craig Isenbergs' requirements for a reliable source of the high quality vinyl material necessary for their fence installation business. Since first beginning operations in September 1994, the Isenbergs had experienced problems with manufacturers and distributors that convinced them there was only one way to get the product they needed—fabricate it themselves.

In seeking the capital to finance the start-up of Preferred Manufacturing, Craig learned of the MBDC program during a visit with an SBA lender. He was pleased to find the staff at

MBDC:

Opportunities, Inc.
Great Falls, Montana

Counties Served:

Cascade, Chouteau, Glacier, Pondera, Teton, and Toole
Population: 117,008

Staff:

Linda McNeill has served Opportunities, Inc., in various capacities for the past 15 years, with the most recent three and a half years as the organization's MBDC credit officer. Linda brings her own experience as a small business owner/operator to the microbusiness program.

Mission:

Opportunities, Inc. works to enable low income families and individuals of all ages in rural and urban areas to attain the skills, knowledge and motivation they need to become self sufficient.

Organization:

Operating under the Community Action Program structure, Opportunities, Inc., provides a full range of services to entrepreneurs in a six-county region, including financing, training in preparation of business plans, one-to-one or group technical business assistance training, and specific types of expertise including legal and accounting services available from community professionals on a no-fee or reduced-fee basis. In terms of

business assistance and development efforts, the MBDC is the largest economic development program within Opportunities, Inc.

In addition business development services, Opportunities, Inc., also helps low income families with housing, weatherizing and energy needs, job training, and youth programs. Linda McNeill explained that the MBDC is unique within Opportunities, Inc., in that all other programs are offered on a direct-cost basis, while loans offered through the microbusiness program represent the only type of assistance which must be repaid.

According to McNeill, there is a definite synergy among the business and community development programs offered by Opportunities, Inc. "We find that individuals who come to us in need of some type of assistance can, with training and guidance, achieve self sufficiency through creating a business," said McNeill. "It's also not uncommon for businesses that use MBDC services to later hire young workers through one of our youth programs."

TOTAL LOANS MADE: \$258,179—16
BIENNIAL LOANS MADE: \$131,125—8
TOTAL WRITE-OFFS: \$9,688—2—4%

Opportunities, Inc., so anxious to help with his business planning and loan application activities.

With a \$35,000 microbusiness loan from Opportunities, Inc., and an additional \$20,000 from their bank, the Isenbergs purchased the equipment and inventory to begin fabricating not only the vinyl necessary to supply their own business, but vinyl distributors and fencing operations in other states and Canada as well. In just one year of operations, the Isenbergs have created four full-time jobs.

Although Preferred Manufacturing has achieved a level of success which indicates that the services of the microbusiness program are no longer needed, Craig explained that he continues to appreciate advice and expertise of MBDC staff. "During the financing stage of our business, and later when I attended technical assistance seminars sponsored by the MBDC, that organization became a support group that I still rely on today," said Craig.

REGION IV: Great Falls
Loan Fund: \$489,361
FTE Created/Retained: 31.50
Public Assistance Reduction: 2

6/93 - 12/96
Loans Outstanding: \$188,333
JTPA FTE: 2

REGION V

HELENA

REGION V Microbusiness Entrepreneur

Microbusiness:
Precision Embroidery
Helena, Montana

Owner:
Tammy Lewis

Only two years ago, Tammy Lewis began providing custom embroidery services. Her location at that time was the kitchen table of her own home, and her equipment consisted of a single-head sewing machine that allowed work on one article of clothing at a time.

Today, Tammy's business—Precision Embroidery—has its own location, a leased four-head sewing machine which has enabled output to more than quadruple, and one and a half full-time employees. An MBDC loan made available through the Montana Women's Capital Fund provided the



MBDC:
Montana Women's Capital
Fund, Inc.
Helena, Montana

Counties Served:
Broadwater, Jefferson, and
Lewis & Clark
Population: 65,903

Staff:
James Plum has served the
credit officer for the Mon-
tana Women's Capital Fund for a year and a half. He holds a
Bachelor of Sciences degree in Business Management, and is
involved in graduate level studies in Applied Economics.

Mission:
To provide technical assistance and promote access to capital to
all individuals who are unable to obtain business loans through
traditional institutions.

Organization:
The Montana Women's Capital Fund, Inc., was founded as a
stand-alone microbusiness development corporation. Unlike
other entities in Montana that created an MBDC under an
existing organizational umbrella, the MBDC was the impetus for
development of the Montana Women's Capital Fund. Originally
the only business finance and technical assistance program within

the organization, other programs have subsequently been added, however, the MBDC remains the fund's dominant force.

Two additional programs—the SBA Women's Business Owners program and the SBA Women's Business Owners Demonstration Site program—currently operate in conjunction with the MBDC and provide financial and technical assistance to businesses.

Since making its first loan in September 1993, the Montana Women's Capital Fund has provided more than \$725,000 in loans in the three-county region it serves. The Montana Women's Capital Fund has enjoyed an excellent history of loan payback, and several of its business clients are currently in their second rounds of financing provided through the fund.

TOTAL LOANS MADE:	\$693,817—81
BIENNIAL LOANS MADE:	\$368,579—30
TOTAL WRITE-OFFS:	\$4,882—2—1%

financing necessary to lease the machine, purchase additional equipment and supplies, and the working capital necessary for stability during the expansion and relocation phase.

"I believed in my business," explained Tammy, "but more importantly, the people at the MBDC believed in my business." After being turned down by a traditional lender, Tammy learned of the MBDC, which, in addition to capital for expansion, provided her assistance in preparing a business plan.

Business couldn't be better. "1995 was a great year for Precision Embroidery, but we topped that with a 60 percent increase in sales in 1996," said Tammy. "I'm now in a position where I would like to offer my workers some benefits, including health insurance and a week of paid vacation annually."

Tammy's plans for 1997 include another expansion.

REGION V: Helena	6/93 - 12/96
Loan Fund: \$517,209	Loans Outstanding: \$389,882
FTE Created/Retained: 108	JTPA FTE: 6
Public Assistance Reduction: 8	

REGION VI

BOZEMAN

REGION VI Microbusiness Entrepreneur

Microbusiness:

Bear Creek Respite Care Center
Bozeman, Montana

Owners:

Marian Steffes and
Joe Mangiantini

Bear Creek Respite Care Center is a good example of MBDC financing being combined with other sources of funds to develop a new business that serves a vital community need. The facility is a private nursing home that has created two full-time and two part-time jobs since it opened in January 1995. The center was conceived of by the husband-and-wife partnership of Joe Mangiantini, an experienced business administrator,

MBDC:

Human Resource Development Council of District IX, Inc.
Bozeman, Montana

Counties Served:

Gallatin, Meagher, and Park
Population: 81,681

Staff:

Region VI Credit Officer Charles Hill has served in various capacities at the HRDC since 1990, and assumed his current position with the MBDC in 1992.

Mission:

The HRDC operates the microbusiness program to further community and economic development activities and to improve employment opportunities for its clients.

Organization:

The District IX HRDC was a Community Action Program, and was actually involved in microbusiness lending as early as 1989, providing both capital and technical assistance to small businesses in the three-county region, as well as four other regional areas, now MBDCs. Microbusiness activity as an HRDC focus increased dramatically after the MBDC program component was added, and current combined loan funds exceed half a million dollars.

More than 30 loans have been made through the MBDC, with some loans having been re-paid in full and some borrowers beginning their second rounds of microbusiness financing.

In addition to the MBDC, Energy Share of Montana, Health and Human Services, and SBA programs are located in the HRDC, which also provides services to facilitate home loans for low income borrowers.

TOTAL LOANS MADE: \$411,813—30
BIENNIAL LOANS MADE: \$90,772—6
TOTAL WRITE-OFFS: \$19,060—2—5%

and Marian Steffes, whose background is in nursing. Together they provide the specialized expertise to manage and operate the center.

"Preparing the detailed financials was a process that began a full year before the center actually began operations," explained Marian. "Joe and I developed our complete loan package, then presented it to the HRDC, to the bank and the SBA, and to a private lender.

Marian emphasized that although the MBDC program is designed to assist relatively small businesses with start-ups and expansions, the limitation on loan size should not discourage any potential borrower. "Although the microbusiness loan was the smallest segment of our total financial package, it really gave us the boost to get over the top," she said.

REGION VI: Bozeman
Loan Fund: \$291,667
Cumulative FTE Not Available
Public Assistance Reduction: 7

As of 12/96
Loans Outstanding: \$214,707
JTPA FTE: 9

REGION VII

H A V R E

REGION VII Microbusiness Entrepreneur

Microbusiness:

Bear Paw Fur Dressing, Inc.
Havre, Montana

Owners:

Steve Foechner,
Susan Howell, and
Raleigh Nordhagen

After only two years of operations, Bear Paw Fur Dressing, Inc., already provides hair-on tanning services to taxidermists across United States, and despite difficulties relating to the export of its products, has penetrated markets in both Canada and Japan. Originally providing only taxidermy services to local hunters, owners Steve Foechner, Raleigh Nordhagen and Susan Howell realized, based on their own experience in business, that a niche existed for hair-on tanning.

MBDC:

Bear Paw Development Corporation of Northern Montana
Havre, Montana

Counties Served:

Blaine, Hill, and Liberty
Population: 25,227

Staff:

Melisa Jo Drugge has served as the Region VII MBDC Credit Officer since the microbusiness finance program was founded in the Bear Paw Development Corporation of Northern Montana in July 1992. Melisa is a graduate of Montana State University/Bozeman, with a Bachelor of Science in Business Finance.

Mission:

Bear Paw Development participates in activities designed to create new employment, strengthen the area's basic industries, eliminate barriers to economic growth, and enable the area to adapt to a changing economy.

Organization:

With a total loan portfolio of \$5 million, Bear Paw Development Corporation manages a range of individual loan and grant programs to provide specialized financing to businesses and communities in a four-county region of north central Montana. In addition to the MBDC, Bear Paw Development hosts a Rural Development Intermediary Re-Lending Program and Rural

Business Enterprise Grant, an Economic Development Administration Long-Term Economic Deterioration and Sudden & Severe Economic Dislocation Program, and the Montana Department of Commerce community Development Block Grant Program.

Bear Paw Development Corporation is a local economic development organization, which also serves as the host for an SBDC.

Although the Rural Development Intermediary Re-Lending Program, a \$2 million revolving loan fund, is the largest within Bear Paw Development's portfolio, Melisa notes that all of the loan programs play an important role in region. "Offering borrowers a variety of programs and having the flexibility to pool funds and resources from the various funds allows us to accomplish a lot," said Melisa.

TOTAL LOANS MADE:	\$778,209—50
BIENNIAL LOANS MADE:	\$398,580—23
TOTAL WRITE-OFFS:	\$31,462—2—4%

Following the suggestion of their banker, the three approached Melisa Jo Drugge of the MBDC program with their proposal for a major business expansion. "Although we were looking for capital rather than technical business assistance, Melisa went beyond the call of duty in ensuring that our plan was viable," said Susan. "She was instrumental in helping us prepare a successful application and business plan."

Two working capital loans were made available through Bear Paw Development Corporation—one from the MBDC and a second from the Rural Development Intermediary Re-Lending Program. Today, Steve, Raleigh and Susan continue to provide taxidermy services to local hunters, but their tanning business, which employs five full-time workers, has become their dominant activity.

REGION VII: Havre	6/92 - 12/96
Loan Fund: \$759,327	Loans Outstanding: \$510,965
FTE Created/Retained: 120.5	JTPA FTE: 12
Public Assistance Reduction: 5	

REGION VIII

LEWISTOWN

REGION VIII

Microbusiness Entrepreneur

Microbusiness:

Lewistown Taxi

Lewistown, Montana

Owner:

Eric Rammelt

As the owner/operator of the only taxi in Lewistown, Eric Rammelt realizes firsthand the importance of the service he provides to the community. Rammelt has developed a "frequent rider" program in which he sells tickets for discounted fares to customers who regularly patronize his business. "For elderly folks and others without their own automobiles, my taxi service is about the only transportation available in Lewistown," said Rammelt. He also serves as Lewistown's designated driver by selling the discount tickets to local taverns.



MBDC:

Human Resource Development
Council, District VI
Lewistown, Montana

Counties Served:

Fergus, Golden Valley, Judith Basin, Musselshell,
Petroleum, and Wheatland

Population: 23,393

Staff:

Cherelee Martin is the newest MBDC credit officer in Montana, having joined the staff of the District VI Human Resource Development Council in April 1996. Cherelee's background is in small business bookkeeping and accounting, and she has earned numerous continuing education credits in business administration.

Mission:

According to Cherelee, the mission of the HRDC and the MBDC is "to eliminate the paradox of poverty in the midst of plenty by stimulating a better focus of all available local, state, private and federal resources upon the goal of enabling low income families and individuals to attain the skills, knowledge, motivation and opportunities needed for them to become self-sufficient."

Organization:

The District VI HRDC Microbusiness Development Corporation began operations in 1992 with a loan from the Montana Department of Commerce and investments from the cities of Lewistown and Roundup, and Fergus County. In addition to the MBDC, the agency also manages a finance program called the Capital Opportunities Loan Fund, which, in many cases, makes referrals to the MBDC. Local borrowers also benefit from the SBDC program. Although there is no local SBDC, personnel from Great Falls travel to Lewistown twice monthly to provide technical assistance to local businesses served by the HRDC.

Currently, there are ten businesses in the MBDC portfolio that have received both loan funds and technical assistance. Additionally, four borrowers have repaid their loans and "graduated" from the program. "These businesses would not have been able to survive without our program," explains Cherelee.

"The challenge as we see it," said Cherelee, "is to continue to provide the very necessary information start-up businesses need in order to succeed."

TOTAL LOANS MADE: \$149,683—14

BIENNIAL LOANS MADE: \$29,683—6

TOTAL WRITE-OFFS: \$0—0

Lewistown Taxi was made possible by a microbusiness loan offered to Rammelt through the local HRDC. The loan provided the funds necessary to purchase a cab and insurance coverage, as well as the working capital to ensure stability during the start-up phase of the business.

Cherelee Martin of the HRDC believes working with individuals like Rammelt offers tremendous opportunities for more than just business development. "Eric's microbusiness loan not only enabled him to start his own business, it also helped Lewistown achieve important community development goals," said Martin.

Rammelt is optimistic about the future of both Lewistown Taxi and his community. "Business is good, and the only limitation for expansion is Lewistown's ability to grow," explained Rammelt. "And I think it will."

REGION VIII: Lewistown
Loan Fund: \$199,500
FTE Created/Retained: 31
Public Assistance Reduction: 2

1/93 - 12/96
Loans Outstanding: \$52,011
JTPA FTE: 5

REGION IX

BILLINGS

REGION IX Microbusiness Entrepreneur

Microbusiness:

Clark's Fork Pioneer
Fromberg, Montana

Owner:

Carol Waller

Preserving local newspaper service is a goal Carol Waller believes is essential to the quality of life for residents of small Montana communities.

"Changes are occurring rapidly that impact our towns," explains Carol, "and citizens need a mechanism to ensure that their stories are told."

Carol's mission to continue weekly newspaper service for the communities of Carbon County began in earnest when she started publishing

MBDC:

Human Resource Development Council, District VII
Billings, Montana

Counties Served:

Big Horn, Carbon, Stillwater, Sweet Grass, and Yellowstone

Population: 156,739

Staff:

Serving the Region IX MBDC since its inception, Credit Officer Denise Jordan brings a wealth of experience to a program serving a five-county region. In addition to earning a Bachelor of Science in Business Administration, Denise has worked in both the insurance and personnel fields, and is in the process of becoming a certified Economic Development Finance Professional through the National Development Council.

Mission:

To provide opportunities for people to achieve skills for success.

Organization:

As a program component of the local HRDC, for the past three years the microbusiness program has actively promoted its finance and technical assistance programs in Billings and throughout smaller communities across south central Montana. To date, the MBDC has made 43 loans, many of which have already been re-paid.

The HRDC manages an additional loan fund called Capital Opportunities, and provides assistance to businesses through its partnership arrangement with the local SBDC.

"Communities in the region are becoming more aware of the MBDC program and we are receiving more requests for both information and services," according to Denise Jordan. "Awareness is also increasing among local lending institutions, who refer many clients our way."

TOTAL LOANS MADE:	\$436,122—43
BIENNIAL LOANS MADE:	\$265,748—27
TOTAL WRITE-OFFS:	\$0—0

the Clark's Fork Pioneer three years ago. Initial financing was provided by friends who shared her viewpoint that a local newspaper satisfies important community needs.

With an expanding circulation of 1,800 subscribers, in 1994, Carol realized that the capacity of her business must likewise increase. An MBDC loan for equipment and working capital provided the financing necessary for Carol to shift her operations to a new level and keep pace with local growth. Currently the Clark's Fork Pioneer employs one full-time and three part-time workers.

"Technology is bringing about rapid changes in the publishing business," said Carol. "In 1997, I plan to apply for a second loan to finance equipment upgrades."

REGION IX: Billings	10/92 - 12/96
Loan Fund: \$581,000	Loans Outstanding: \$191,783
FTE Created/Retained: 54	JTPA FTE: 21
Public Assistance Reduction: 6	

REGION X

MALTA/WOLF POINT

REGION X

Microbusiness Entrepreneur

Microbusiness:
MonDak Marine
Glasgow, Montana

Owner:
Alton Smith

"The microbusiness program is great for business start-ups and for adding new inventory and equipment for existing businesses," according to Alton Smith. Moving his operations from Plentywood to Glasgow two years ago, Alton found MonDak Marine in good position for expansion, if financing were available.

"The SBA recommended that I look into microbusiness financing to fund my expansion," said Alton. "With help from Missouri Valley Development Corporation I was able to make



MBDC:

Missouri Valley Development Corporation
Wolf Point, Montana

Counties Served:

Daniels, Phillips, Roosevelt, Sheridan, and Valley
Population: 31,427

Staff:

Linda Twitchell has served as a Region X credit officer for Daniels, Roosevelt and Sheridan Counties for the past two years. She has more than 25 years experience in small business administration and business finance.

As Region X credit officer for Phillips and Valley Counties, Anne Boothe has been involved with the MBDC since its inception in 1993. In addition to her work with the MBDC, she also serves as staff for the Malta Chamber of Commerce.

Mission:

To encourage the development of small business in order to retain population in northeastern Montana and encourage young people to remain in the region.

Organization:

The Missouri Valley Development Corporation is a local economic development organization, which, in addition to the microbusiness program, is also host to an SBDC. A primary

focus of Missouri Valley Development is to work with young people with an affinity for eastern Montana in developing viable businesses that provide sufficient opportunities and income.

According to Linda Twitchell, "Wage rates often make it difficult for young workers to save the down payment necessary to open a business. Our MBDC works to remove this financial constraint."

In working with young borrowers, Linda explains that microbusiness programs complement the efforts of traditional lenders: "Banks simply cannot fill the capital gap that MBDCs specialize in."

Because the Missouri Valley Development Corporation places a strong emphasis on inexperienced, first-time businesspersons, it also provides intensive technical business assistance training that begins before a prospective borrower submits a loan application or business plan. This high level of technical assistance continues after a start-up or expansion has been funded.

"Young people must create their own opportunities if they wish to remain in or return to eastern Montana," said Twitchell.

"We're here to help them do just that."

TOTAL LOANS MADE:	\$246,227—20
BIENNIAL LOANS MADE:	\$184,177—14
TOTAL WRITE-OFFS:	\$4,997—1—2%

the move and put some capital into the business."

Since receiving MBDC financing, MonDak Marine has added part-time and full-time mechanics, a secretary and a boat boy to its workforce.

REGION X: Malta/Wolf Point
Loan Fund : \$350,000
FTE Created /Retained: 61
Public Assistance Reduction: 2

6/93 - 12/96
Loans Outstanding: \$265,606
JTPA FTE: 0

REGIONS XI AND XII

GLEN DIVE / MILES CITY

REGIONS XI AND XII

Microbusiness Entrepreneurs

Region XI Microbusiness:

Enchanted Rooms
Glendive, Montana

Owners:

Myrna Quale and Laura Glueckert

Both Myrna Quale and Laura Glueckert had the experience and the inventory necessary to start a custom order fabric and floral retail business—they simply didn't have a location. When they requested a bank loan to purchase a small home in which to base their operations, they were turned down. Friends told them about Enterprise Opportunities, and with business planning and loan application assistance from Joyce Schriver, Myrna and Laura were able to secure an MBDC loan and purchase the location for Enchanted Rooms.

“Joyce got us started in the process, helped us through all the steps, and continues to offer helpful advice now that we’re up and running,” said Myrna. “This is a program I would recommend to any new business.”

MBDC:

Enterprise Opportunities, Inc.

Action for Eastern Montana
Glendive, Montana

Counties Served:

Carter, Custer, Dawson, Fallon, Garfield, McCone, Powder River, Prairie, Richland, Rosebud, Treasure, and Wibaux

Population Region XI: 25,498

Population Region XII: 30,389

Staff:

Joyce Schriver brings five years of credit union experience to her work as credit officer for the MBDC serving Regions XI and XII. She also owned and operated her own retail business for 15 years.

Mission:

To provide a model that will encourage low income and middle-wage earners to see self-employment as an opportunity for self-sufficiency.

Organization:

Serving a vast 12-county region of southeastern Montana, Joyce Schriver of Enterprise Opportunities points out that she travels more than any other MBDC credit officer. “Often the most difficult part of my job is just getting to the people I want to help,” said Joyce.

The MBDC has made 19 loans since it was created in 1993.

Enterprise Opportunities, Inc., is a stand-alone 501 (c) (3) not-for-profit corporation. The primary focus of Enterprise Opportunities is to provide MBDC financing and technical services. "Within the Regions XI and XII, there is considerable demand for classroom business assistance training, and for ongoing business oversight," Joyce explained. In its efforts to provide technical assistance, the MBDC often utilizes the services of the Billings SBDC.

TOTAL LOANS MADE (XI):	\$66,196—7
TOTAL LOANS MADE (XII):	\$106,356—12
BIENNIAL LOANS MADE (XI):	\$31,967—4
BIENNIAL LOANS MADE (XII):	\$98,070—10
TOTAL WRITE-OFFS (XI):	\$0—0
TOTAL WRITE-OFFS (XII):	\$10,838—1—11%

Region XII Microbusiness:
Music Center
Miles City, Montana

Owner:
Robert Shy

Music Center owner Robert Shy had been in business for three years when he decided that an expansion would be desirable. "I thought I could take the business to another level if I could find the financing to increase my inventory and purchase new equipment," Robert explained. "The Miles City Chamber of Commerce recommended the microbusiness program, and that's where I found all the help I needed."

Before he submitted either a loan application or a business plan, Robert participated in MBDC-sponsored workshops that helped him in the preparation of both documents. "In the process, I really learned a lot more about my business," said Robert.

According to Robert: "The micro-business program is a good one. Following the expansion my sales increased, and I have been able to offer more hours for my part-time employees."

REGION XI: Glendive

Loan Fund: \$105,000

Cumulative FTE Not Available

Public Assistance Reduction Not available

6/93 - 12/96

Loans Outstanding: \$38,137

JTPA FTE: 7

REGION XII: Miles City

Loan Fund: \$105,000

Cumulative FTE Not Available

Public Assistance Reduction: 2

6/93 - 12/96

Loans Outstanding: \$63,554

JTPA FTE: 12.25

Funded Regions: 12

Microbusiness Loans Made: 383

Dollars Loaned: \$5,085,203

Microbusiness Loans Repaid: 100

Dollar Value: \$779,141

Average Loan Size: \$ 13,277

Loans in Default: 12

Dollar Value: \$72,766

Defaulted Loans Written Off: 24

Dollar Value: \$180,190

Jobs Created*: 412 FTEs

Jobs Retained*: 317 FTEs

Dollars Loaned per Job Created/Retained*: \$5,846

FTEs: Full-Time Equivalent positions

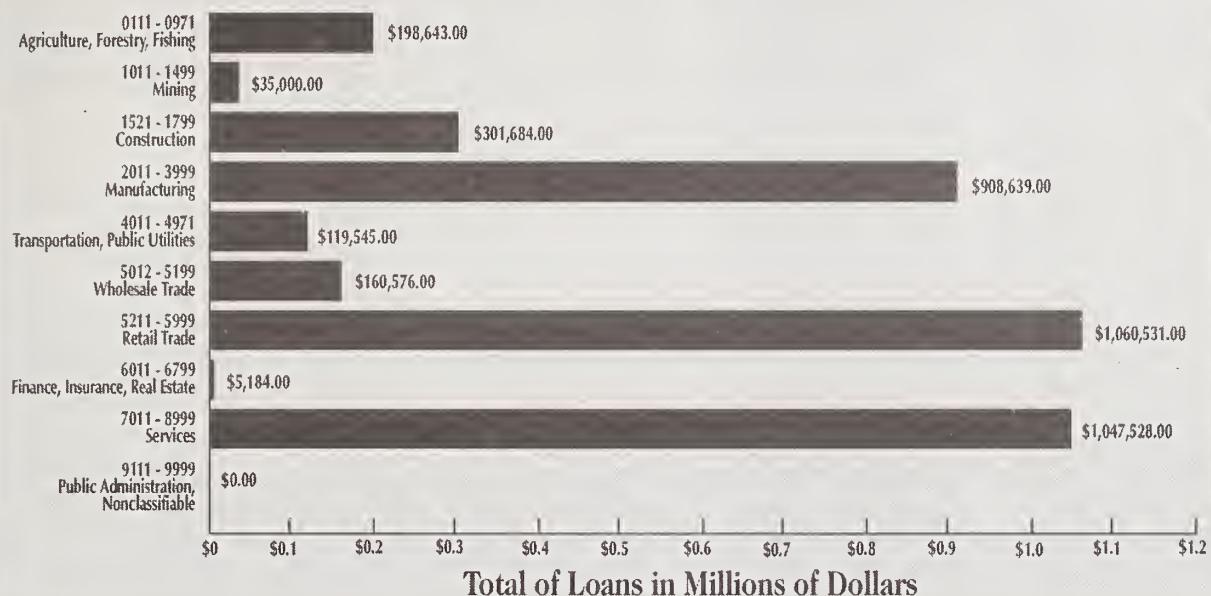
*Note: The information on jobs created and retained contain data from loans that were packaged with MBDC and other loan funds.

GOALS 1997-1998

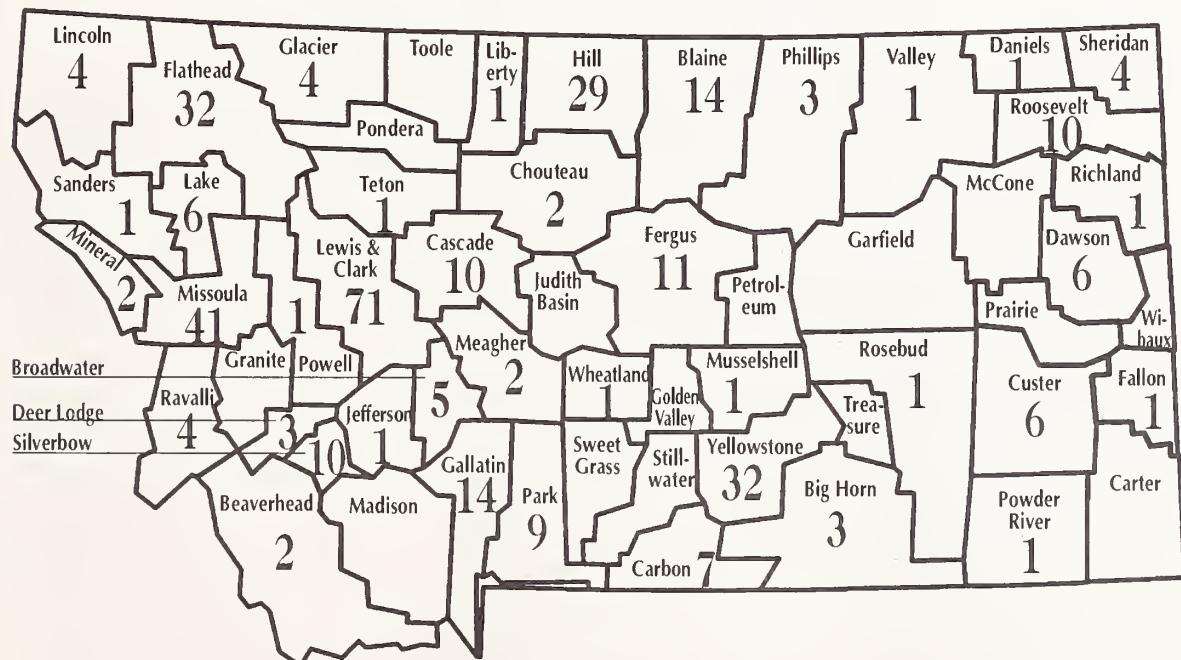
	12/96	12/97	12/98
<i>Business Loans Made</i>	385	475	565
<i>Dollars Loaned</i>	\$4,655,702	\$6,255,702	\$7,905,702
<i>Loans Outstanding</i>	240	400	500
	\$2,615,004	\$4,547,600	\$6,000,000
<i>Write-Off Rate</i>	.04	.03	.02
	\$148,306	\$187,671	\$158,114
<i>Recovery</i>		.5	.6
		\$93,832	\$94,868
<i>Loss</i>		.015	.01
		\$93,839	\$63,246
<i>Jobs Created</i>	430	540	650
<i>Jobs Retained</i>	325	440	550

- Establish interest rate buy down program for effluent mitigation equipment required by law; \$250,000 award from the Department of Environmental Quality
- Complete National Development Council—Economic Development Finance Professional Certification for all MBDC staff
- Review certification and contracts with eight MBDCs (Regions III, IV, V, VI, VIII, IX, X, XI/XII)
- Support permanent income streams for MBDCs for appropriate business technical assistance for microentrepreneurs

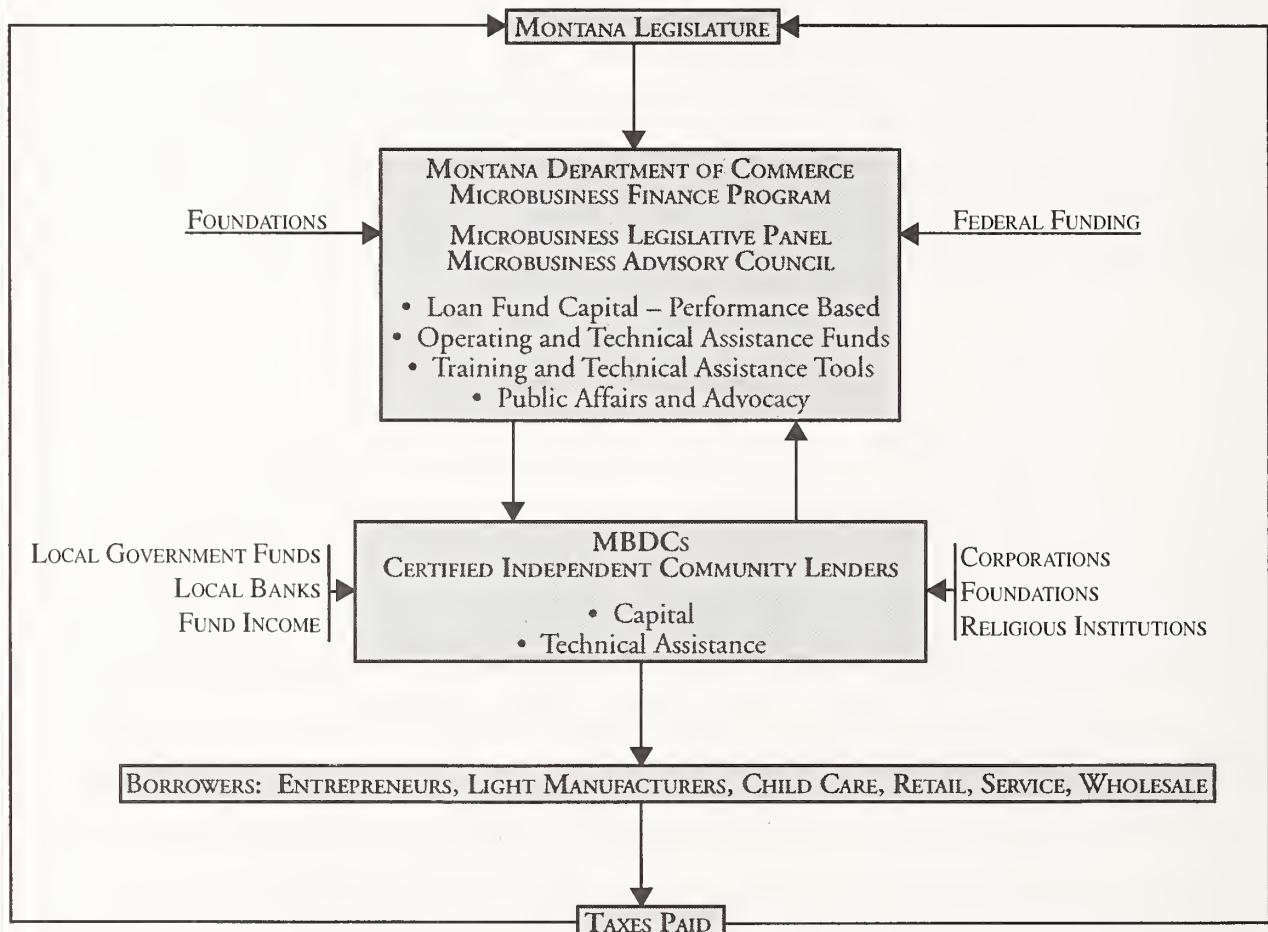
LOANS BY STANDARD INDUSTRIAL CLASSIFICATION



Geographic Cumulative Distribution of Loans



BUILD STRONG COMMUNITY LENDERS AND MBDCS BY BUILDING A STRONG RESOURCE BASE



STATEMENT OF FUNCTIONAL EXPENSES

YEAR ENDED DECEMBER 31, 1996 WITH COMPARATIVE INFORMATION

	1996 MBDC Finance	1996 State Finance	1996 Grants/Income
Loans to MBDCs		686,590	
Grants to MBDCs			211,337
State Interest Earned and Grants			
Administrative			81,359
Contracts			90,776
State Reserve		3,823	
DOA Loan/General Fund			64,600
MBDC Interest Earned and Non-DOC Grants			381,207
MBDC Loan Loss Reserves (Cummulative)	191,596		
MBDC Fund Investment	114,432		
TOTAL FUNCTIONAL EXPENSE	306,028	690,413	829,279

	1996 TOTAL	1995 TOTAL	1994 TOTAL	1993 TOTAL	1992/1991 TOTAL	GRAND TOTAL
Loans to MBDCs	686,590	250,000	(250,000)	2,001,000	1,249,000	3,936,590
Grants to MBDCs	211,337	312,235	85,000	155,000	75,000	838,572
State Interest Earned and Grants						
Administrative	81,359	86,606	86,924	73,884	92,992	421,765
Contracts	90,776	64,000		25,000		179,776
State Reserve	3,823	-22,186	34,383	(10,385)	40,563	46,203
DOA Loan/General Fund					64,600	64,600
MBDC Interest Earned and Non-DOC Grants	381,207	505,057	388,646	189,608	36,389	1,500,907
MBDC Loan Loss Reserves (Cummulative)	191,596	104,720	91,679	64,529	22,193	474,717
MBDC Fund Investment	114,432	41,667		291,833	208,167	656,099
TOTAL FUNCTIONAL EXPENSE	1,761,125	1,342,099	436,632	2,790,469	1,788,904	8,119,229

Unaudited Statement

COST/BENEFIT ANALYSIS

The four measures below were used in the 1993 third party evaluation of the program. A copy of the 1993 third party evaluation and the 1996 cost/benefit calculations are available upon request.

The cost/benefit measures were developed to evaluate the return to the state through wages, taxes, and public assistance reduction. The return compared to the income which might have been earned had the Microbusiness Finance Development Loan funds remained in the Coal Tax Trust Fund is positive in each measure in a range of 1:1.5 to 1:1.7.

It is important to note that no general fund money has been appropriated other than the start-up funds of \$64,600 spent in 1991. The Department of Commerce operating budget is paid by the interest charged to MBDCs and borrower interest contributes to the MBDC operating budgets.

Benefit to the State/Profit Measure:

Costs

opportunity cost of loan funds: \$1,047,585
administrative costs of program
\$464,624
grant awards to MBDCs: \$1,677,144
capital writeoffs: 0

Benefits

borrower, employee, MBDC staff, MBFP staff personal taxes:
$$\$1,944,579 + \$158,400 + \$31,800 = \$2,134,779$$

MBDC interest paid DOC: \$538,527
grants: \$1,140,000
decreased general assistance: \$350,460

Costs: \$3,189,353	Benefits: \$4,163,766	Ratio: \$1:\$1.31
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Benefit to the State/Value Added Measure:

Costs

opportunity cost of loan funds: \$1,047,585
administrative costs of program: \$464,624
grant awards to MBDCs: \$1,677,144
capital writeoffs: 0

Benefits

borrower, employee, MBDC staff, MBFP staff personal taxes:
$$\$1,944,579 + \$158,400 + \$31,800 = \$2,134,779$$

MBDC interest paid DOC: \$538,527
grants: \$1,140,000
borrower, employee, professional wages: \$11,639,819

Costs: \$3,189,353	Benefits: \$15,453,125	Ratio: \$1:\$4.85
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Benefit to Society/Profit Measure:

Costs

opportunity cost of loan funds: \$1,047,585
administrative costs of program and MBDCs
adjusted for salary taxes: \$2,091,749
capital writeoffs: \$180,190
business interest paid: \$975,951

Benefits

borrower, employee, MBDC staff, MBFP staff personal taxes: \$2,134,779
grants: \$1,140,000
decreased public assistance: \$350,460
business owner draw: \$4,011,098

Costs: \$4,295,475	Benefits: \$7,636,337	Ratio: \$1:\$1.78
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Benefit to Society/Value Added Measure:

Costs

opportunity costs of loan funds: \$1,047,585
administrative costs of program and MBDCs
adjusted for salary taxes: \$2,091,749
capital write-offs: \$148,306
business interest paid: \$975,951

Benefits

borrower, employee, MBDC staff, MBFP staff personal taxes: \$2,134,779
grants: \$1,140,000
decreased public assistance: \$350,460
business COGS adjusted for employee personal taxes: \$15,857,032

Costs: \$4,263,591	Benefits: \$19,482,271	Ratio: \$1:\$4.57
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ASSUMPTIONS MADE FOR THE COST/BENEFIT ANALYSIS

1. There are 245 loans currently outstanding, 370 loans made over time through 9/96; about 15% of the loans are to previous MBDC borrowers--*for this analysis the number of businesses provided credit since 1992 is 314.*
2. County and local taxes and fees and licenses are not calculated as benefits.
3. Leveraged loans and their interest costs are not included in the benefits.
4. The opportunity cost to the Coal Tax Trust Fund since 1992 is calculated as an average 7.5%.

1992 \$1,249,000 x .075/2 = \$46,838	1993 \$3,250,000 x .075 = \$243,750	TOTAL
1994 \$3,250,000 x .075 = \$243,750	1995 \$3,250,000 x .075 = \$243,750	\$1,047,585
1996 \$3,250,000 x .075/2 = \$121,875	\$3,936,590 x .075/2 = \$147,622	
5. A sample of 31 businesses were examined in detail from Region I (16), Region V (4), Region VIII (3), Region IX (4), Regions XI/XII (4); or 10% of 314 businesses.
6. The sample produced \$575,040 in an average 12 month period for wages and owner draw, 4 business produced no wages or owner draw (13% of 31); $\$575,040/31 = \$18,550 \times .096$ (the state average personal income tax is 9.6%) = \$1,781 per year per business, times four years (since 1/93-eliminating first 6 months of lending) is \$7,123 times (314-13% or 41) = 273 businesses = *\$1,944,579 state personal income taxes contributed by borrowers since 1/93.*
7. Cost of funds or interest paid the state by MBDCs is:

1992 \$1,249,000 x .04/2 = \$24,980	1993 \$3,250,000 x .04 = \$130,000	TOTAL
1994 \$3,250,000 x .0325 = \$105,625	1995 \$3,250,000 x .0325 = \$105,625	\$538,527
1996 \$3,936,590 x .035/2 = \$63,970	PI \$1,321,586 x .0325 = \$42,952	
LO \$2,615,004 x .025 = \$65,375		
8. Business interest paid to MBDCs:

\$ Outstanding	Ave. Int.	Total	TOTAL
1992 \$364,095/2 = \$182,048	.12	\$21,846	\$975,951
1993 \$805,375+(1992) = \$987,423	.11	\$108,617	
1994 \$838,044+(1992,1993) = \$1,825,467	.10	\$182,547	
1995 \$1,143,735+(1994,1993) = \$2,787,154	.10	\$ 278,715	
1996 \$1,511,185*+(1995,1994) = \$3,492,964	.11	\$ 384,226	*96.4 plug repeat 96.3
9. Public assistance savings are calculated on three systems: Food Stamps, Aid to Families and Medicaid instead of the full seven systems; 168 SS#s run against state records showing 17 hits before loans and 29 hits after loans for a total of 46 hits with a reduction of 38 SS#s not using at some period at or after the loan (8 borrowers currently accessing benefits); actual dollars for AF and FS with an assumption of \$1,000 per year for those using MA = \$350,460 since 1992 in savings.
10. Business income to owners, employees and professionals was calculated by actual numbers from the sample multiplied by 271 businesses and again by 4 years (beginning 1/93) to equal \$11,639,819.
11. MBDC program income is calculated from quarterly financials submitted to DOC.
12. Business gross sales of borrowers is calculated from the actual gross sales of 22 businesses equaling \$2,168,249 for a 12 month period. This average gross sales of \$98,557 multiplied by 271 businesses (370 loans - 15% multiple loans-14% no income) is \$26,708,947 multiplied by 3 years (1993-1996) is \$80,126,841 divided in half for error is \$40,063,421. COGS for borrowers is calculated from the actual COGS of 23 businesses equaling \$2,518,065 for a 12 month period. This average COGS of \$109,481 multiplied by 271 businesses multiplied by 3 years divided in half for error is \$17,801,611. Owner draw for 18 businesses in the sample was a total of \$264,471 or an average \$14,693 per year multiplied by 3 years is \$44,078. Since just 58% of the sample provided profit for owner draw the 314 business produced 182 which may have been profitable enough to provide owner draw then $\$44,078 \times 182 = \$8,022,196/2$ for error = \$4,011,099.

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REGION I KALISPELL

FLATHEAD,
LAKE,
LINCOLN,
SANDERS

Northwest MicroBusiness
Finance Program
Northwest Montana Human
Resources, Inc.
218 Main, P.O. Box 8300
Kalispell, MT 59904
406-758-5410 fax 752-6582

REGION II MISSOULA

MINERAL,
MISSOULA,
RAVALLI

Montana Western Region Economic
Development Group (WEDGo)
127 N. Higgins
Missoula, MT 59802
406-543-3550 fax 721-4584

REGION III BUTTE

BEAVERHEAD,
DEERLODGE,
GRANITE,
MADISON,
POWELL,
SILVERBOW

Headwaters RC&D Area, Inc.
305 W. Mercury, Suite 211
Butte, MT 59701
406-782-7333 fax 782-9675

REGION IV GREAT FALLS

CASCADE,
CHOUTEAU,
GLACIER,
PONDERA,
TETON, TOOLE

Opportunities, Inc.
905 First Avenue North
Great Falls, MT 59401
406-761-0310 fax 761-0363

REGION V HELENA

BROADWATER,
JEFFERSON,
LEWIS & CLARK

Montana Women's Capital Fund, Inc.
302 N. Last Chance Gulch, Suite 402
P.O. Box 271
Helena, MT 59624
406-443-3144 fax 442-1789

REGION VI BOZEMAN

GALLATIN,
MEAGHER,
PARK

MicroBusiness Finance Program
Human Resource Development
Council of Dist. IX, Inc.
321 E. Main St. , Suite 300
Bozeman, MT 59715
406-587-4486 fax 585-3538

REGION VII HAVRE

BLAINE,
HILL,
LIBERTY

Bear Paw Development
Corporation of Northern Montana
306 3rd Ave., Room 209
P.O. Box 170
Havre, MT 59501
406-265-9226 fax 265-5602

REGION VIII LEWISTOWN

FERGUS,
GOLDEN VALLEY,
JUDITH BASIN,
MUSSELSHELL,
PETROLEUM,
WHEATLAND

Human Resource Development
Council, District VI
300 1st Ave. N, Suite 203
Lewistown, MT 59457
406-538-7488 fax 538-2843
1-800-766-3018

REGION IX BILLINGS

BIG HORN,
CARBON,
STILLWATER,
SWEET GRASS,
YELLOWSTONE

Human Resource Development
Council, District VII
7 N. 31st St., P.O. Box 2016
Billings, MT 59103
406-247-4710 or 247-4706
fax 248-2943

REGION X MALTA-WOLF POINT

DANIELS,
PHILLIPS,
ROOSEVELT,
SHERIDAN,
VALLEY

Missouri Valley Development Corp.
233 Cascade St.
Wolf Point, MT 59201
406-653-1845 fax 406-653-1840
PhillCo Economic Growth Council
10 1/2 S. 4th St., P.O. Box 1637
Malta, MT 59538
406-654-1776 fax 654-1776

REGION XI & REGION XII GLENDALE - MILES CITY

CARTER, CUSTER,
DAWSON, FALLON,
GARFIELD, MCCONE,
POWDER RIVER,
PRAIRIE, RICHLAND,
ROSEBUD,
TREASURE, WIBAUX

Enterprise Opportunities, Inc.
Action for Eastern Montana
100 Fir St. FP
P.O. Box 1309
Glendive, MT 59330
406-687-3564 fax 687-3568

OR CONTACT the Montana Department of Commerce,
1424 9th Ave., Helena, MT 59620 406-444-4187

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